```
1
                       UNITED STATES DISTRICT COURT
                           DISTRICT OF MINNESOTA
2
 3
        Polaris Industries, Inc., ) File No. 15CV4129
 4
                                        ) (JRT/LIB)
                Plaintiff,
 5
                                           Minneapolis, Minnesota
        VS.
6
                                            March 23, 2016
                                            2:15 P.M.
        Arctic Cat, Inc.,
 7
                Defendant.
 8
 9
            BEFORE THE HONORABLE CHIEF JUDGE JOHN R. TUNHEIM
10
                      UNITED STATES DISTRICT COURT
                     (DEFENDANT'S MOTION TO DISMISS)
11
       APPEARANCES
        For the Plaintiff:
12
                                  Carlson Caspers Vandenburgh
                                  Lindquist & Schuman PA
13
                                  WILLIAM BULLARD, ESQ.
                                  DENNIS BREMER, ESQ.
14
                                  225 South Sixth Street
                                  Suite 4200
15
                                  Minneapolis, MN 55402
16
        For the Defendant:
                                  Fish & Richardson
                                  JOSEPH HERRIGES, ESQ.
17
                                  JOHN C. ADKISSON, ESQ.
                                  60 South Sixth Street
18
                                  Suite 3300
                                  Minneapolis, MN 55402
19
20
        Court Reporter:
                                 KRISTINE MOUSSEAU, CRR-RPR
                                  1005 U.S. Courthouse
                                  300 South Fourth Street
21
                                  Minneapolis, MN 55415
22
23
24
           Proceedings recorded by mechanical stenography;
25
       transcript produced by computer.
```

1	2:15 P.M.
2	
3	(In open court.)
4	THE COURT: You may be seated. Good afternoon.
5	This is Civil Case Number 15-4129, Polaris Industries,
6	Inc., versus Arctic Cat, Inc.
7	Counsel note appearances. First for the
8	plaintiff?
9	MR. BULLARD: Good afternoon, Your Honor.
10	William Bullard and Dennis Bremer from the Carlson Caspers
11	Law Firm representing Polaris Industries.
12	THE COURT: Good afternoon to both of you.
13	MR. HERRIGES: Good afternoon, Your Honor.
14	Joseph Herriges and John Adkisson representing Arctic Cat.
15	THE COURT: Good afternoon to both of you.
16	All right. The Court has reviewed the
17	defendant's briefs. We have a motion to dismiss the case.
18	All right. Are you going to be arguing,
19	Mr. Herriges?
20	MR. HERRIGES: Yes, Your Honor.
21	THE COURT: Go right ahead.
22	MR. HERRIGES: If I may approach, Your Honor,
23	with the presentation?
24	THE COURT: Okay.
25	MR. HERRIGES: Good afternoon, Your Honor. We're

1 here because it's Arctic Cat's contention that asserting 2 the '449 patent does not assert a claim under the federal 3 That is not a dispute under today's motion. rules. 4 parties do not dispute that the complaint does not satisfy 5 the new pleadings standards. 6 The question is whether it is just and practical 7 to apply those rules in this case. 8 THE COURT: Are you arguing also that it fails to 9 comply under the older pleading standard or not? 10 MR. HERRIGES: We are not, Your Honor. We would not contest that it fails under that standard. I do want 11 12 to be very clear right out of the gate here because there 13 has been a little mud tossed in the briefing about our 14 motives. We're bringing this motion, and this is the 15 fourth of five lawsuits between the parties, as Your Honor 16 is aware. There were three brief ones. We have answered 17 18 every single one of those complaints in a timely fashion. 19 We don't necessarily agree with the merits of those 20 complaints. In fact, on the first asserted patent, the 21 Patent Trials and Appeals Board has held the patent is 22 completely invalid, but we have nevertheless answered those 23 complaints in a timely fashion. 24 But we do think that this complaint is

procedurally different and substantively different, and

that's why we brought this motion, and I've created a time line here on my presentation that I think gives a little background and gives a little color as to why we think it's appropriate to apply the amended rules in this situation.

As you can see, Your Honor, I have highlighted the four cases that are currently pending before this court. There is a fifth. It was filed December of 2015, pending before Judge Montgomery. The first case was filed back in September 2013, and in September of 2014, there were two additional cases.

The parties went on to litigate those cases, the consolidated cases, until or through 2014 and into February of 2015, and at that point, the '449 patent issued, and that's the patent that is now subject to this motion.

Polaris at that time did not assert the patent.

The parties instead continued on litigating those first three cases until we ultimately filed a joint stipulation to stay the three cases because of certain proceedings that Arctic Cat had before the Patent Trials and Appeals Board.

Judge Noel, as you know, initially denied that request, so the parties jointly appealed to Your Honor for what we thought was the purpose of slowing down the litigation for efficiency purposes and for trying to resolve the case and potentially settle it.

Your Honor ultimately granted our motion on November 5th, and at that point, we were, we were pencils down. We took our representation seriously that the purpose of this was to try to resolve the matter, to try to settle it, but ultimately that's not what happened. We were ultimately sued less than two weeks later on the '449 patent.

Polaris sued us again without warning, and we were frankly surprised, so we asked for 30 days to evaluate to re-initiate our litigation efforts to get our client back up to speed, and that request was granted by Polaris, and during that time, we began investigating the complaint and looking at the patent, comparing it to our products.

We started to have serious concerns about the plausibility and the basis for Polaris's complaint, and I'll just briefly go through that here, Your Honor, but the '449 patent, as was the case with the other patents in this litigation, is related to all-terrain vehicles, off-road vehicles, and it specifically requires, and I've highlighted the language on page 3, a U-shaped sway bar.

What a sway bar is is a metal rod or bar that runs between the rear suspensions and gives certain stability to the vehicle. The '449 patent requires specifically that the middle portion of the sway bar be positioned rearward of the rear end of the frame.

Polaris actually defines what it means by "frame" in the patent, and I have excerpted it on slide 4 here, some cutouts from the specification, and what Polaris says is that that entire section in Figure 9 constitutes the frame, and we've highlighted the rear end of that frame, which according to Polaris includes both that red vertical frame member and that receiver, that hitch receiver on the back.

So when we're looking at this from our perspective, from Arctic Cat's perspective, we are tying to evaluate, is our sway bar rearward of that frame portion?

So we go back, and we look at our vehicle, and what I have put here on page 5 is a CAD drawing of the vehicle Polaris has accused of infringement.

As you can see, the sway bar, which is designated by that bottom red arrow, is not rearward of either that vertical frame portion or that hitch receiver in the back. So when we went back and investigated, we had serious concerns about what Polaris's basis was for accusing us of infringement.

And those concerns we think are properly vetted through a motion to dismiss in view of the new rules because we frankly don't think they're plausible, and as Your Honor knows, the old Form 18, which has historically governed pleading standards for patent cases, is very

generic.

It simply requires that you essentially state that you own the patent and accuse the other side of infringement. It's highly generic as Your Honor noted in the *University of Minnesota* litigation, but the Supreme Court in April of 2015 announced that it was going to abrogate that rule.

And one of the main reasons they were going to abrogate it is to bring the pleadings standard for patent infringement in line with the pleading standards for other causes of action that have over the last decade developed under the *Iqbal Twombly* regime, excuse me, and that's a plausibility standard.

And what the Supreme Court says is that the rules are going to go into effect on December 1st, and they will govern not only all proceedings that exist after that date, but insofar as just and practicable, all proceedings then pending.

So we fall under that later, that later category, and the question is, Is it just and practicable to apply these rules retroactively? And the District of Minnesota and courts throughout the country have held that retroactivity, retroactive application of the federal rules is heavily favored.

Judge Montgomery in the Dietz case observed that

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

the burden actually falls on the party resisting retroactive application to show that it is unjust or impractical. The Fifth Circuit in the second case we have noted there said, To the maximum extent possible the rules should apply retroactively. That case, Your Honor, is particularly interesting, the case from the Fifth Circuit, because at the time the District Court decided the case there, one rule was in place, and the federal circuit observed there was no question that the District Court was correct under that rule. During the pendency of appeal, the rules changed, and the Fifth Circuit said, we're still applying it retroactively because it's just and practicable to do so. So that gives the Court a sense of the extent to which it is favored to apply rules retroactively. I note on this next slide that they apply, similar to the Fifth Circuit case, other courts have said that they apply to preexisting disputes.

So even disputes that arose, were fully briefed before the rule came into effect, courts are saying that we're going to apply the rule retroactively.

THE COURT: So which side's burden is it to prove either just and practicable or unjust and impracticable?

MR. HERRIGES: Our view, Your Honor, and I will

1 scan back here to the Dietz case is, the way Judge 2 Montgomery phrased it, is it would be in this case 3 Polaris's burden to say --4 THE COURT: That case is not binding on this 5 Court, though, correct? 6 MR. HERRIGES: That's not, Your Honor. I'm not, 7 to be fair, I am not aware of any court that is binding on 8 this Court that has outright stated whose burden it is, but 9 that is the way Judge Montgomery characterized it, and I 10 would say that from our perspective we don't think it 11 matters whose burden it is. We think that we can meet the 12 burden here of showing that it is just and practicable to 13 apply these rules, and we think that's the case for three 14 reasons. 15 To step back a minute in terms of what we're 16 asking for, I do want to be very clear. We're not asking 17 the Court to dismiss this case with prejudice. We're not 18 saying Polaris cannot go forward with their claim. We're 19 saying that we have serious questions about the 20 plausibility, and we think that they need to plead, if they 21 can, a plausible claim for relief. 22 We think it's just and practicable to do so 23 because any delay here is really going to be very minimal 24 in the scope of the parties' dispute. As I pointed out

initially when going through the time line, this patent

1 issued over a year ago now, and Polaris chose not to assert 2 it at that time. They chose with us to jointly stipulate 3 to a stay of the litigation. So I think any assertion that 4 delay is unduly prejudiced, in view of what the parties 5 have done so far, I think falls a little flat. 6 It's also a nominal burden here. Again, we're 7 not saying Polaris needs to lay out their entire case. 8 fact, they have in the fifth case, they pleaded under the 9 new standard, and we agreed. We answered that complaint 10 that it was fully compliant with the new rules. So we're 11 not saying they need to lay out detailed claim charts. 12 They just need to plead plausibility, and the 13 final point, Your Honor, is that as I have said, we do 14 think that the plausibility here is highly suspect from our 15 perspective, and that's exactly what these amended rules 16 were designed to do. They were designed to ferret out thin 17 claims at the pleading stage, rather than forcing the 18 parties to undergo extensive discovery and extensive 19 contention requests for months before the theory of the 20 case is laid out. 21 So, Your Honor, with that, we respectfully 22 request that you apply the rule retroactively and grant our motion. 23 24 THE COURT: One question.

MR. HERRIGES: Yes.

1 THE COURT: If the Court applied the older rule, 2 the Form 18 version of the rule, how would that be unjust 3 to Arctic Cat? 4 MR. HERRIGES: I think it would be unjust to 5 Arctic Cat because, as I have said, we've got a lot of 6 concerns about the plausibility here, and that's why I 7 think this case is unique. If we don't apply the old 8 standard, we're going to go forward for months here not 9 understanding how they've got a plausible basis for 10 asserting their claim. 11 We're going to have that patent overhanging our 12 head, overhanging our business, and I frankly think it 13 could interfere with the parties' ability to crystallize 14 the dispute and resolve it because we're not going to fully 15 understand what their basis is or understand the plausible 16 basis for it. 17 THE COURT: All right. Thank you. 18 MR. HERRIGES: Thank you, Your Honor. 19 THE COURT: Mr. Bullard, is it? MR. BULLARD: That's right, Your Honor. 20 21 THE COURT: Go ahead. 22 MR. BULLARD: Good afternoon, Your Honor. 23 going to start with a few comments on my opposition's 24 presentation, and then I want to clarify two things and 25 then get to the merits.

1 THE COURT: All right. 2 MR. BULLARD: First, notably about half of that 3 presentation didn't go to the legal question here which is, 4 Would it be just and practical? I think if we had timed 5 that presentation, it took about at least half of it to get 6 to the actual question here, and very little substance was 7 devoted to, What does it mean to be just and practicable? 8 THE COURT: One clarifying question from my 9 vantage point. You're not arguing that the current 10 complaint satisfies the new rule, correct? 11 MR. BULLARD: That's right, Your Honor. That was 12 not an argument advanced in the brief. I guess I would add 13 as one gloss on that, the primary point of plausibility 14 they raised in their opening brief was an issue about the 15 claims, and they said sort of, we're not sure what claim is 16 asserted. 17 There is only one independent claim in this 18 patent, and so they know, they certainly have notice of 19 what to go forward with, and they also made a comment about 20 sort of there being some confusion about which claim 21 limitations. You know, for there to be any infringement, 22 all claim limitations have to be met. So I don't think 23 there is any plausibility concern there. 24 The second comment, Your Honor, on the opening

presentation is, really what I saw a lot in that

presentation is comments about the merits, you know.

They're putting in annotated figures from the patent.

Those are their annotations, their versions. Those are things that aren't in the pleading. Those figures, they weren't in our pleading.

These are things they brought in, and really, and I'm going to wrap back to this at the end. I think what is really going on here is, like every patent case, there is a claim construction dispute, but a motion to dismiss is not the vehicle, whether it's disguised as plausibility or otherwise, to resolve the claim construction dispute.

That's a question that is for later in the case, and this district has a particular procedure, Form 4, that guides that, guides resolving that dispute, and moving to the second part as far as the clarification, there is no dispute, as Your Honor sort of elicited with your first question, that we did comply with the pleading rules in effect at the time we pled.

And Mr. Herriges mentioned the sort of the saga of other litigations, and what I would highlight is, in all of those cases, there was a declaratory judgment brought by Arctic. There was a couple patent cases brought by Polaris, and there has been further cases brought by Arctic.

In all those original cases, the parties moved

forward with the case with no problem with this exact form of complaint. So I think the sort of the insinuation in response to your last question that there would be some problem is belied by the long litigation history between the parties. None of the parties have had any problem with this style of pleading.

And the second clarification is, the point of pleading, whether it's under *Twombly* or whether it is under the form, it is still notice, and there is no sincere dispute that they have notice of what the issue here is, and I think that's really proven by their presentation, as well as their brief. In their reply brief on page six, they put in that CAD drawing that you saw earlier on the screen.

Stepping back, the fact that they were able to pull a specific CAD drawing and annotate it shows that they know exactly what the issue is. They are zeroed in. They know the claim. They know the issue, and so we think we have certainly achieved the notice purpose of the rules.

Now, moving to the substance part, the question is really, What does it mean to be just and practicable? heard Mr. Herriges talk about the burden, and Your Honor asked some questions, and looking at that *Dietz* case, I don't think the *Dietz* case says one way or another what, who has the burden, and frankly I don't think it makes

sense to, in this situation, for either party to have the burden.

I think it's just a common sense evaluation of the circumstances, and Mr. Herriges also had a quote up there from a different circuit suggesting that there was this rule that you just, as a sort of automatic exercise, apply the rule to the maximum extent possible. That comment was made in the context of a particular amendment to the rule. I think it had to do with Rule 24. That was an older case.

There certainly has been no suggestion in this circuit or I think in that circuit that there is a default that you apply the rule automatically. It's always a question of, What is just and practicable? Starting with, and I would like to just walk through each of those words.

As far as practicality goes, Polaris's position is that it's not practical to have a remedy that requires you to basically reset the case and undo what you already did, and I think the *Dietz* case really brings this point out. Mr. Herriges had a quote up there from Judge Montgomery, and what he ellipsed out, though, is really the heart of why she retroactively applied the rule.

There the question was, it was Rule 45, Should the Court retroactively apply a change to the subpoena rule, and the Court ultimately yes, and the reason, and

this is what she said: She said, Additionally, all conduct relevant to the contested subpoena occurred after the amendment took place, and we have the opposite situation here. The conduct here was, we pled and the rule changed.

It's a very different situation when you're dealing with conduct that took place after the rule, and Mr. Herriges also had a slide where he talked about some courts that have applied the changes to the discovery rule. Again, that's completely consistent with Judge Montgomery's opinion where the focus is on when is the conduct taking place.

When we're dealing with discovery, that's continuing conduct that you can help shape the parties' behavior in a proactive way going forward. Pleading is a one-time event that they would want to sort of have us step back, and so our position is, it's not practical, and we think Judge Montgomery got it right when she focused on when the conduct occurred relative to the rule.

Now, on the question of whether it is just, what the cases seem to really be getting at is something that is fundamentally different than this case. What they're getting at is, Would applying the rule avoid prejudice? So they're concerned about situations where the rule is fixed, and a party who had made a mistake is left hanging out to dry, and they feel sorry for that party.

A good example is the Federal Bureau of Prisons case, which I think Mr. Herriges cited. I believe that might have even been that First Circuit case, and there the situation was that the plaintiff's case had been dismissed for failure to name the proper party, and subsequent to that, I believe it was Rule 15 was amended, and on appeal, the Court was sympathetic for this party whose case had been dismissed for this technicality.

Now here, we're doing with the opposite. They actually want to affirmatively dismiss our case and have us re-plead, and I think if we're talking about prejudice, I just really don't see any sincere prejudice to Arctic Cat. So going, looking back at this question of what is practical and what is just, we don't think it's practical, and we don't think it's just, and we would note that there is a conspicuous absence here.

They don't have any case where any court has done what they're asking. No court as far as we're aware, and we did a check yesterday before we came over, no court has retroactively applied the rules to dismiss a case that there is no dispute properly followed the rules at the time of its pleading in a patent case here.

So not only do they not have any cases, our position is their cases refute them. I went through the Dietz case where Judge Montgomery focused on when the

conduct occurred. I went through the Federal Bureau of

Prisons case, which was trying to avoid prejudice and avoid
a dismissal. The logic doesn't support them.

Your Honor, two final comments. First on the practicality subject, there is no substantive benefit to granting their motion, none. I mentioned earlier, as Your Honor is aware, that this district has a procedure that gets them a detailed claim chart and gets us a detailed prior art statement. That's the way it's supposed to work.

If they hadn't brought this motion, we would be nearing that deadline. They would be getting that high level of detail now, but because they brought this motion, nothing has happened in this case. We're four months in. We haven't had a scheduling conference. We don't have a scheduling order.

There are other cases between the parties that were filed subsequent to this one. We have a scheduling order. We have a deadline for claim charts. We're moving towards the merits. If they're concerned about the merits, we should be moving towards the merits, not moving backwards, and on the practicality point, really amending here is counterproductive.

Mr. Herriges mentioned that there was a fifth case between the parties where we had a different style of pleading, and what happened in that case is, when they

answered, there was no narrowing of the issues whatsoever. What they did is, they denied our allegations because they said, quote, "They state a legal conclusion to which no response is required."

So if we were ordered to amend, that's what we would get back from them, no clarification whatsoever.

This is not a step forward. This is a formalistic going through the motions, and then finally, Your Honor, you know, there has been some insinuations about the plausibility here, and I want to emphasize that in their opening brief, there was no dispute that we plausibly stated a claim under the rules at the time of the pleading.

This is an argument they brought up for the first time in their reply that we never had a chance to respond to, and when we look at what they have put in, it's very clear that we do have a plausible claim, and again, as I mentioned in the beginning, this is simply a claim construction, a vanilla claim construction dispute.

So here is their figure they put in, and it is a side view of the product, which frankly makes it a little bit difficult to assess the limitation, as Mr. Herriges alluded to, has to do with the rear end of the vehicle. So it's a little bit easier to understand when you look at the rear of the vehicle as opposed to the side.

So the question is whether the middle portion of

the sway bar, so that's kind of the green line that is going into the page which they have drawn that sway bar arrow to, whether that is rearward of a rear end of the frame, and they annotate these two points.

Now, there is nothing in the patent, nothing in the specification, that says you should assess this claim limitation using those two points. They have simply picked those two points because that's the construction they want. That's not what the patent says.

If we go to the next slide, Your Honor, looking at their figure, I have drawn a yellow arrow to another point on the frame. That's the point on the frame where the middle portion is actually located. So you can see if you look at the red arrow going to the sort of the bright green bar and then the yellow arrow going to the light green bar, at that point the sway bar is undeniably rearward of the frame.

So there is certainly plausible interpretations where they infringe, and again, Your Honor, you know, I titled this the Merits. Our position is, this is all a discussion of the merits, which is just inappropriate at a motion to dismiss, and, you know, this figure, this wasn't even in the pleading.

Certainly, if we're just looking at figures, though, what I have put up for Your Honor's benefit is a

1 rear view, which I think makes this even clearer. On the 2 left, I have the preferred embodiment from the patent, this 3 showing in red what it looks like to have a sway bar with 4 the middle portion rearward of a rear end. 5 Here is their product. It's very similar, very 6 similar, and, you know, this is not a case where they 7 called us up on the phone and said, you know, we have an 8 issue. We're a little confused about your interpretation, 9 or we don't think you have a Rule 11 basis. None of that 10 happened. 11 They simply brought this motion, and the only 12 basis they have is for this retroactive application of the 13 rule, and Your Honor, to sum up, we just don't think it's 14 just and practical, and if there was any doubt, we would 15 cite to Rule 1, which is supposed to be the guiding light for all these procedural rules: Just, speedy and 16 17 inexpensive. 18 We don't think this motion achieved any of those 19 goals. We have wasted money. We have wasted time, and we 20 are not moving the ball towards the merits. Thank you, 21 Your Honor. 22 THE COURT: Thank you, Mr. Bullard. 23 Did you have anything else, Mr. Herriges? 24 MR. HERRIGES: Just a minute, Your Honor? 25 THE COURT: Sure.

```
1
                                I do want to point out, Your
                 MR. HERRIGES:
2
       Honor, we're not raising these disputes about claim
 3
       construction to try to resolve this case on the merits.
                                                                 We
 4
       raised this issue because we don't think it's plausible,
 5
       and these pleadings and this explanation that we have heard
6
       today isn't in the complaint. So it's not plausibly
 7
       showing to us how we infringe in their view.
 8
                 I'll also note, Your Honor, that quite frankly we
 9
       expected that they would amend under Rule 15, as they were
10
       entitled to do, the day that we filed our complaint.
11
       That's what we thought was going to be the result of this.
12
       So frankly we're a little bit surprised we're here. Again,
13
       these concerns about delay we think are largely
14
       manufactured.
15
                 Unless Your Honor has further questions, that's
16
       all I have.
17
                 THE COURT: I don't. I have one unrelated
18
       question. The dispute that is in the separate case before
19
       Judge Montgomery right now?
20
                 MR. HERRIGES: Yes, sir.
21
                 THE COURT: Are all of you involved in that one
22
       as well?
23
                 MR. HERRIGES: We are, Your Honor.
24
                 MR. BULLARD: We are.
25
                 THE COURT: My question is, It's a different
```

```
1
       patent in that case, correct?
2
                 MR. HERRIGES: Yes, Your Honor.
 3
                 THE COURT: What's the subject matter of that
 4
       patent?
 5
                 MR. BULLARD: Your Honor, it's all-terrain
6
       vehicles again, but I think it has to do with a novel air
 7
       filtration system.
                 MR. BREMER: I would call it CVT air intake would
 8
 9
       probably be the parties' --
10
                 THE COURT: All right. That's helpful.
11
                 MR. BREMER: Thank you, Your Honor.
12
                 MR. HERRIGES: Thank you, Your Honor.
13
                 THE COURT: Thank you. The Court will take the
14
       motion under advisement and will issue an order shortly.
15
       Thanks.
16
                 The Court is in recess.
17
                 THE CLERK: All rise.
18
19
                 I, Kristine Mousseau, certify that the foregoing
20
       is a correct transcript from the record of proceedings in
21
       the above-entitled matter.
22
23
24
           Certified by: s/ Kristine Mousseau, CRR-RPR
                                Kristine Mousseau, CRR-RPR
25
```